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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

USSR-Berlin: The 14 July Soviet note to the United States, Britain, and France appears intended to lay the groundwork for talks on Berlin between Secretary Rusk and Foreign Minister Gromyko when they meet in Geneva to sign the Laotian settlement. In line with Khrushchev's comments to Austrian leaders during their recent visit to Moscow, the note formally rejects the Western proposal for four-power talks on local Berlin problems. Continuing the harder tone recently adopted by the Soviets on Berlin, the note attempts to implicate the US in what it calls "fascist and criminal provocative" activity from West Berlin. The note asserts that this activity points up the necessity for an "urgent normalization of the situation on the basis of a peaceful German settlement."

Despite the note's uncompromising tone and the pro forma statement of urgency, there is no indication that the Soviets are planning to break the Berlin impasse by unilateral action in the near future. Instead they apparently hope for a continuation of bilateral talks on the higher level when Rusk meets Gromyko.

Deputy Foreign Minister Pushkin, when telling Assistant Secretary Harriman that Gromyko would attend the signing ceremony, asked specifically if Rusk would also attend. Soviet Ambassador Smirnov left Bonn on 14 July for a short stay in the Soviet Union; he will presumably brief Gromyko on the situation in Berlin.

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West New Guinea: [] Dutch-Indonesian talks on the transfer of West New Guinea to Indonesia, resumed on 13 July, face serious difficulties unless Djakarta drops its proposal for the direct transfer of the territory to Indonesian sovereignty. Foreign Minister Subandrio has told Ambassador Jones in Djakarta that unless the Dutch accept this change in the Bunker plan on the point of timing, he will not attend the meetings as previously planned. In the preliminary discussions, however, Dutch Ambassador van Roijen stated that it is impossible to depart from the Bunker plan of a phased transfer with a period of administration by the United Nations.

[] Commanding officers of the Indonesian Navy reportedly have been told that regardless of the outcome of the current talks, they are to make large-scale landings in West New Guinea. These landings would permit President Sukarno to announce the "return of West Irian" at the opening of the Asian games in Djakarta on 17 August.] []

*Peru: The possibility of a military takeover of the government has increased sharply. Military leaders demanded on 13 July that President Prado annul the entire 10 June elections or face replacement by a military junta. Prado has refused, insisting on adherence to constitutional procedures.

The possibility that a constitutional solution acceptable to the military might be found in time to forestall a coup was greatly reduced last night with the announcement that talks have been broken off between the APRA party of presidential candidate Haya de la Torre and the Odriista National Union of presidential candidate ex-dictator Odria. One possibility which was being considered was for Congress to vote the presidency to Odria, who is in poor health, and allow Manuel Seoane, the APRA vice presidential candidate, to assume the office for which he has already received the requisite one third of the popular vote. [The military leaders, however, are now said to have made it clear that they are vetoing not only Haya himself, but the entire APRA party.]

The military had previously tried to block the election of Haya as president by pressing the National Election Board to declare Fernando Belaunde Terry the victor with the necessary one third of the total vote. Belaunde's post-election threats to lead an armed insurrection if he were not recognized as the legal president have discredited him with both the public and the armed forces.

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Brazil: Prime Minister Brochado da Rocha's cabinet was approved on 13 July by a vote of 139 to 63 after an acrimonious debate and with 124 representatives absent or refusing to vote. Not all nominees for cabinet posts had been consulted, however, and one had already refused. Brochado da Rocha stated that for the time being he would assume such ministries as were not immediately filled.

The government may now be inclined to increase restrictions on private foreign investment in Brazil. Brochado da Rocha recommended on 12 July a limited intervention in the pharmaceutical industry--which is largely foreign owned. This appears to echo an attack on the foreign-owned drug industry made on 22 May in a violent anti-US address by his political associate, Governor Leonel Brizola of Rio Grande do Sul. A bill limiting profits remittances of foreign firms and restricting foreign banks passed the Senate on 13 July, although further congressional action is necessary for final passage.

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USSR: Moscow's decision to curtail sharply the seasonal transfer of industrial workers to help with the harvest may further impede farm work in some areas this year. According to an announcement on 13 July, farm managers are expected to depend on the existing agricultural labor force and only under exceptional conditions are they to be permitted to augment it from the urban populations.

The decision, which reverses a standard practice of many years, is in line with Khrushchev's admonition at the March central committee plenum to make use of available resources and not to expect substantial assistance from other parts of the economy.

This year farm managers are faced with larger labor requirements as a result of expanded acreage and the continued unavailability of adequate machinery. However, seasonal labor transfers disrupt industry and load the transportation system; the value of the transferred workers to the farming effort falls far short of their value at the jobs they leave. Furthermore, industrial labor productivity was lagging behind plan, according to the last official report issued in January, and additional labor has been needed for industry.

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Uruguay-Cuba:

[redacted] Uruguay will probably break relations with Cuba early this week.

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[redacted] Before announcing a break, Montevideo must arrange disposition of the approximately 370 Cuban refugees who have taken political asylum in the Uruguayan Embassy.

[redacted] Uruguay's break in relations would leave only four Latin American nations--Brazil, Mexico, Chile, and Bolivia--still recognizing the Castro regime.

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Prime Minister Brochado da Rocha Appoints New Cabinet

It is not yet clear which ministers have accepted their inclusion in Brochado da Rocha's new cabinet, which was approved by the Chamber of Deputies on 13 July. The designated minister of industry and commerce, Sao Paulo industrialist Jose Ermirio de Maraes, is "anti-trust but only if the trust is foreign," according to the US Consulate in Recife. He has been consistently reported backing pro-Communist Miguel Arraes for governor of the key northeastern state of Pernambuco. The labor minister, Hermes Lima, is a former law professor who advocates a socialist economy but reportedly also emphasizes the importance of good US-Brazilian relations.

The minister of transportation, Helio de Almeida, is a businessman who has recently returned from a visit to Communist China. As a student in 1951 he was elected to office in a university organization on a slate opposed by Communists [and in 1959 he consulted the US Embassy concerning the US attitude toward acceptance by Brazilians of Soviet invitations to visit the USSR]

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Foreign Minister Afonso Arinos de Mello Franco is identified with the "independent" foreign policy he helped implement under both Goulart and former President Quadros. There are some indications that Mello Franco has personally preferred a more pro-US foreign policy but has had little influence on Brazilian

decisions. The conservative pro-US finance minister, Moreira Salles, has been retained from the previous cabinet.

The military cabinet ministers--like most of those military figures who support Goulart--favor the President because of his constitutional right to the office rather than because of his policies. The new navy and air ministers face substantial opposition within their respective services, but new war minister Nelson de Melo appears to be achieving general acceptance. [redacted]

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